



**FY 2011**

**General Fund 5-Year Forecast**

*Presentation to the Board of County  
Commissioners*

**Multnomah County Budget Office**

**October 29, 2009**

# Introduction

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- Economic Overview
- FY 2011 General Fund 5-Year Forecast
  - FY 2011 Forecast
  - 5-Year Outlook
  - Revenues
  - Expenditure Assumptions
    - ✓ One-Time-Only Programs
    - ✓ Annualizations
    - ✓ Cost Drivers
  - Sources of One-Time-Only Funds for FY 2011
  - Forecast Risks & Issues
- Summary & Questions



# Economic Overview

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## ■ National

- ✓ Credit Markets – Liquidity vs. Insolvency
- ✓ Stabilizing economy (industrial production, unemployment, GDP)
- ✓ Technically end of Recession
- ✓ ...but still weak (Consumer confidence, commercial real estate, transportation sector)
- ✓ Federal Support & Deficit

## ■ State

- ✓ Employment & income taxes

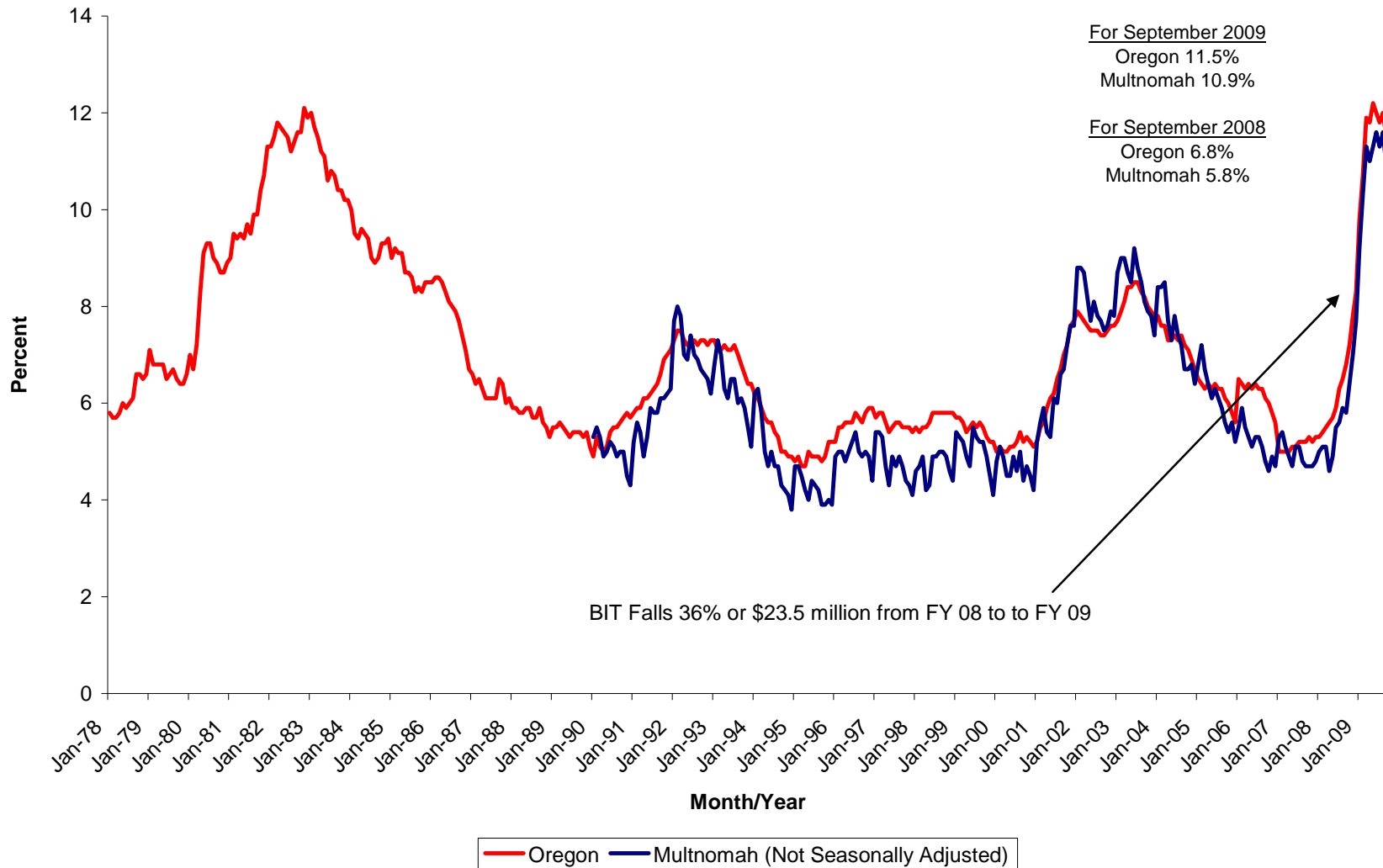
## ■ Local

- ✓ Unemployment/Employment
- ✓ Housing (prices, defaults, recording fees)



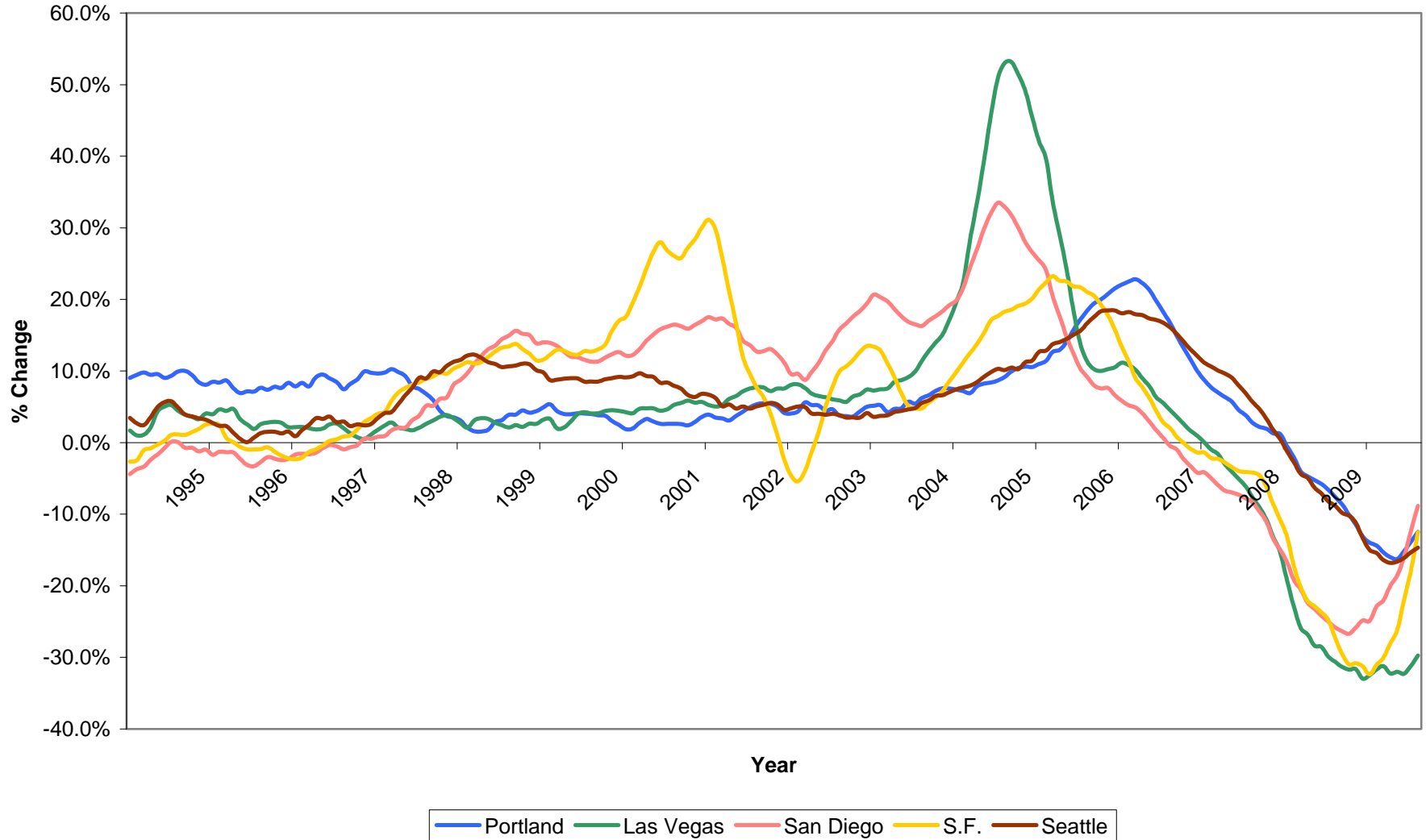
# Economic Overview

**Oregon & Multnomah County Unemployment Rates**



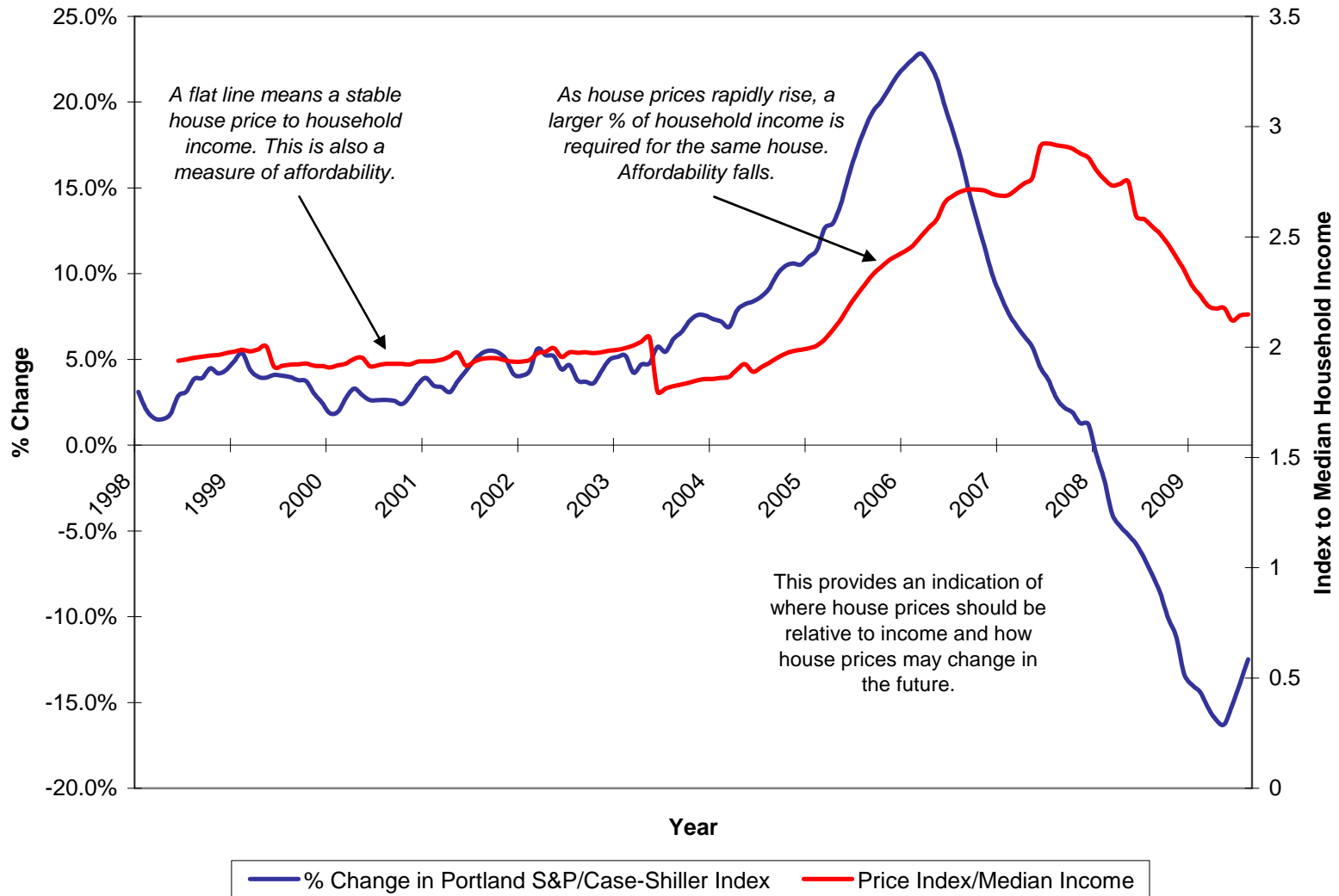
# Economic Overview

**Monthly Year-Over-Year % Change**  
*Based on S&P/Case-Shiller Home Price Index Thru August 2009*



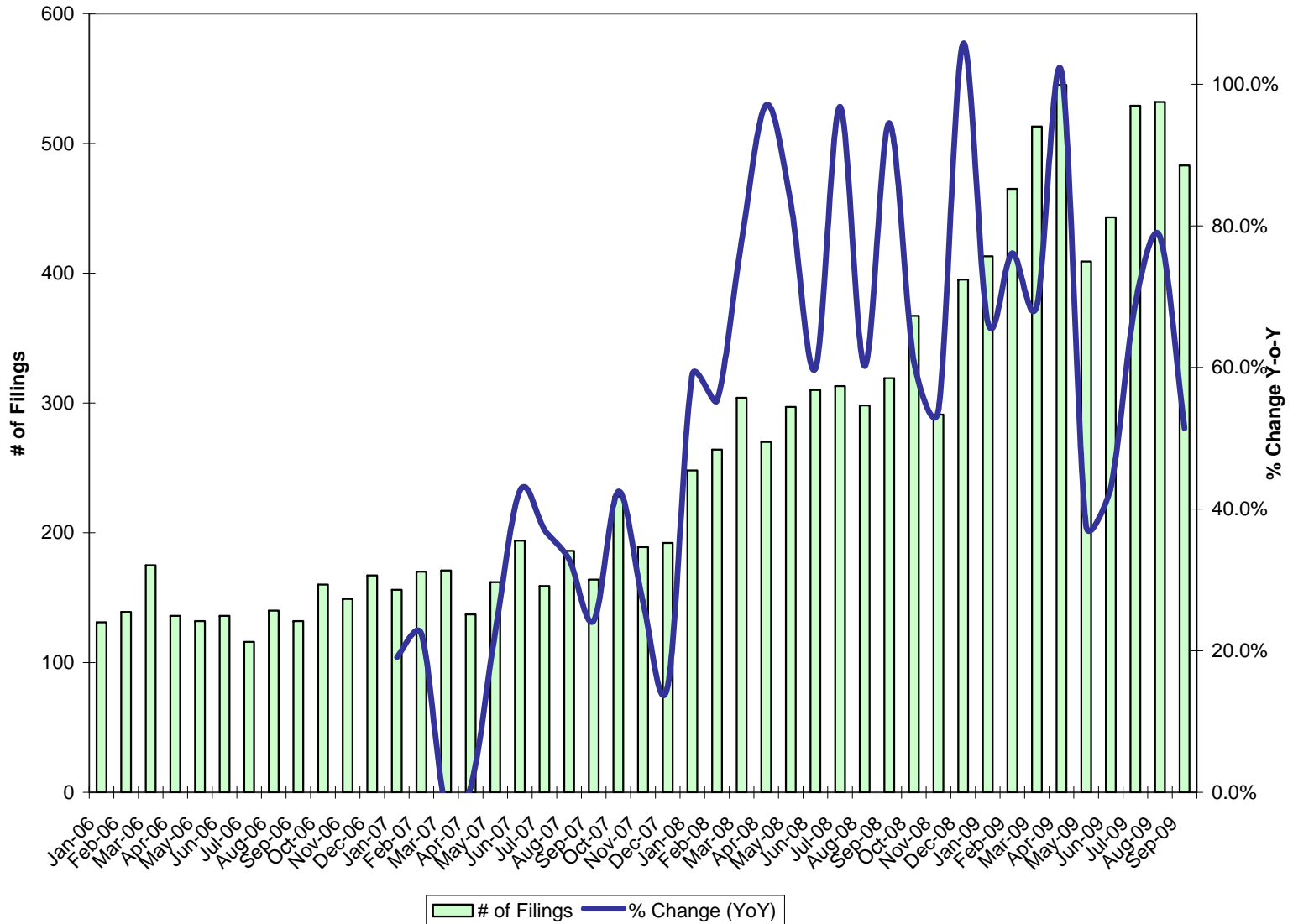
# Economic Overview

**% Change in Portland S&P/Case-Shiller House Price Index and Index to Median Household Income (Thru August)**



# Economic Overview

Default Filings in Multnomah County & Year-Over-Year % Change (Thru September)



# FY 2011 General Fund Forecast

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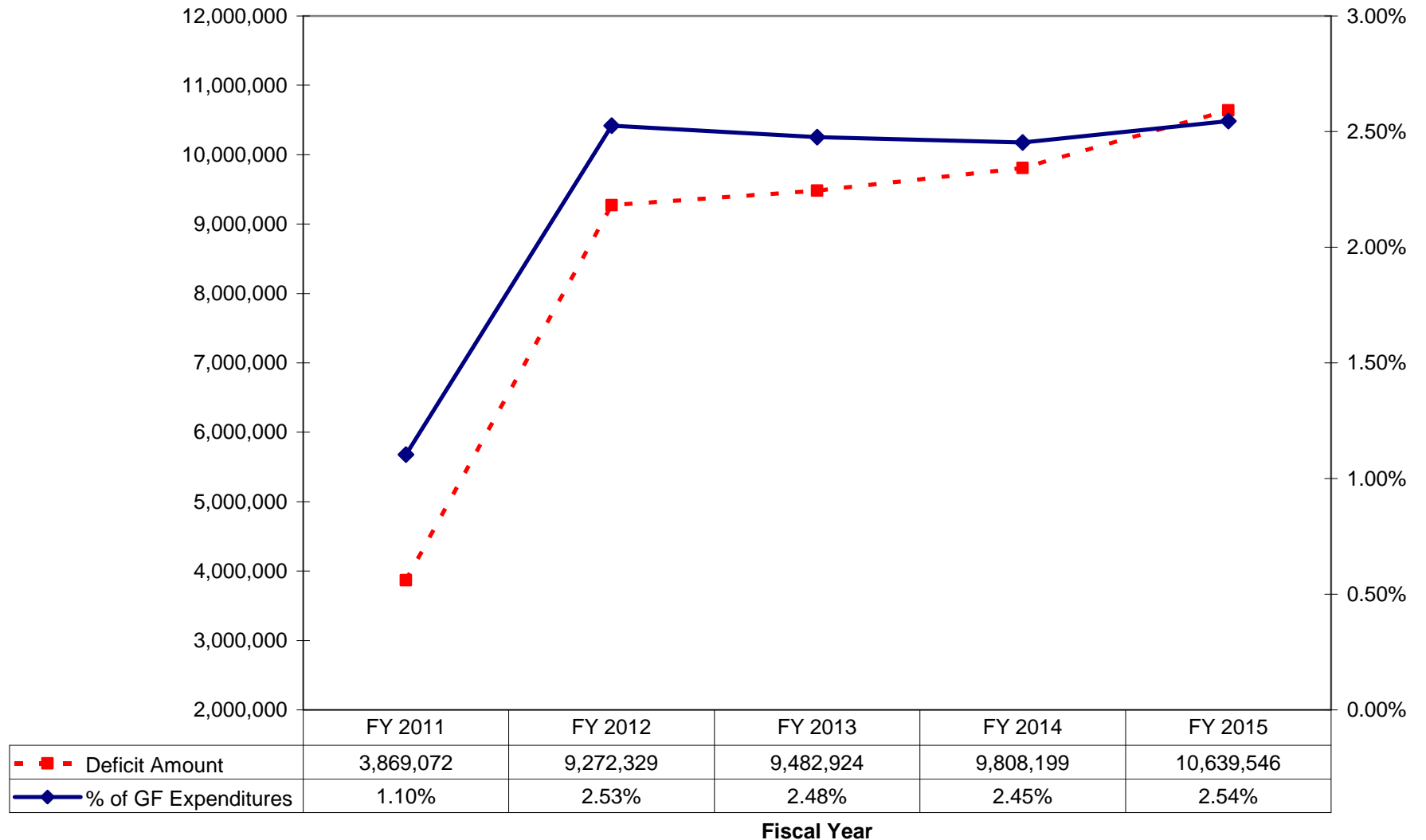
- The forecast assumes a stabilizing national and local economy, with a protracted and uneven recovery
- Unemployment will remain high and credit will continue to be tight
- FY 2011 ongoing gap between revenues and expenditures of **\$3.9 million** vs. \$45.9 million forecast in February
- Reduction due to actions implemented in FY 2009 & 2010
- Explained by:
  - ✓ Wage & COLA Freezes and Lower CPI (\$7.8 million)
  - ✓ Increased Revenues (i.e., MVRT) (\$8.2 million)
  - ✓ Program Reductions (\$25 million)





# 5-Year General Fund Outlook

## General Fund Annual Operating Deficit



# 5-Year General Fund Outlook

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- Operating deficit grows to \$9.3 million or 2.53% of expenditures by FY 2012
- Operating deficit stabilizes from FY 2012 to FY 2015 at 2.5% of expenditures or \$9.3 million to \$10.6 million
- Assumes:
  - ✓ No ongoing backfill of state programs
  - ✓ No new or expanded General Fund programs
  - ✓ No structural changes in revenues (i.e., tax law changes or new legislation)
  - ✓ Total labor costs increase between 4.75% to 5.50%
  - ✓ 'Normal' Inflation
- The actual operating deficit will certainly be different



# General Fund Revenue Forecast

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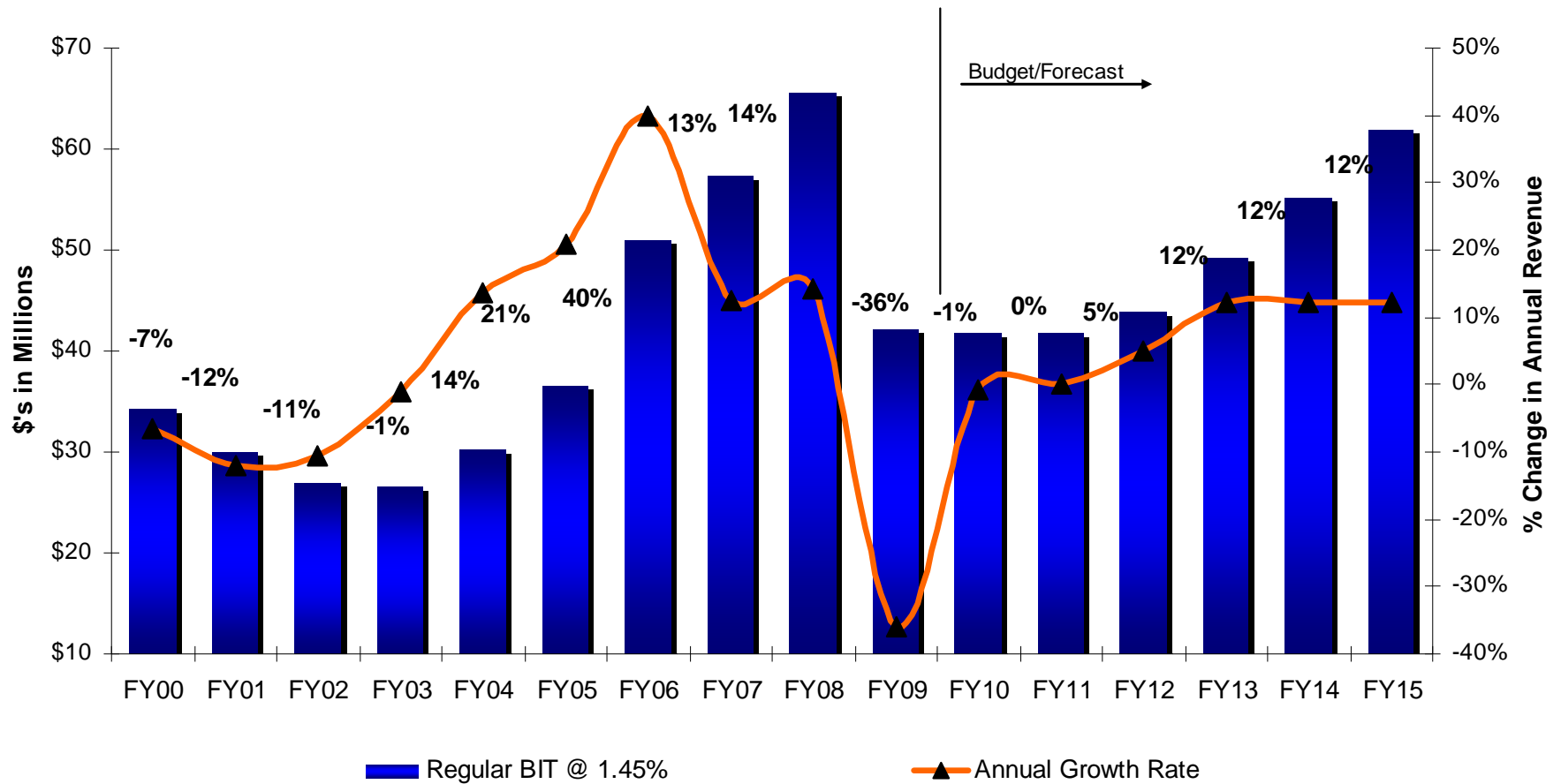
- FY 2011 Ongoing General Fund Revenues = \$345.9 million.
  - ✓ Property Tax (65.9%) - \$227.9 million
  - ✓ BIT (12.3%) - \$42.5 million
  - ✓ Motor Vehicle Rental Tax (5.2%) - \$17.8 million
  - ✓ Video Lottery & Liquor Tax (2.8%) - \$9.8 million
  - ✓ A&T Recording/CAFFA (2.3%) - \$7.9 million
  - ✓ Other – Indirect (\$16.6 million), US Marshal (150 beds), Juvenile Detention



# General Fund Revenue Forecast

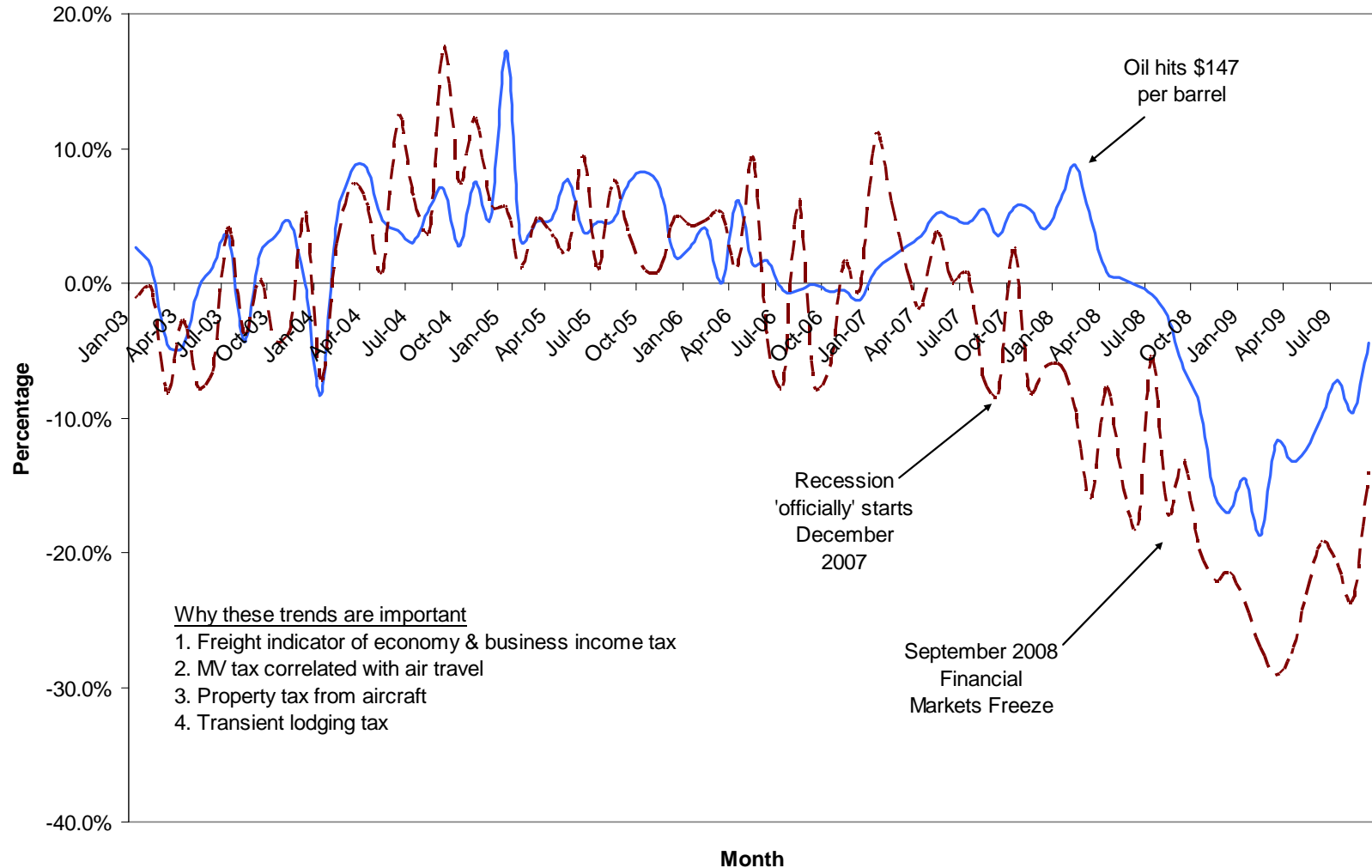
## Annual BIT Collections

(FY 2000 to FY 2009 Actuals; FY 2010 Budget; FY 2011 to FY 2015 Forecast)



# PDX Passenger & Freight Statistics

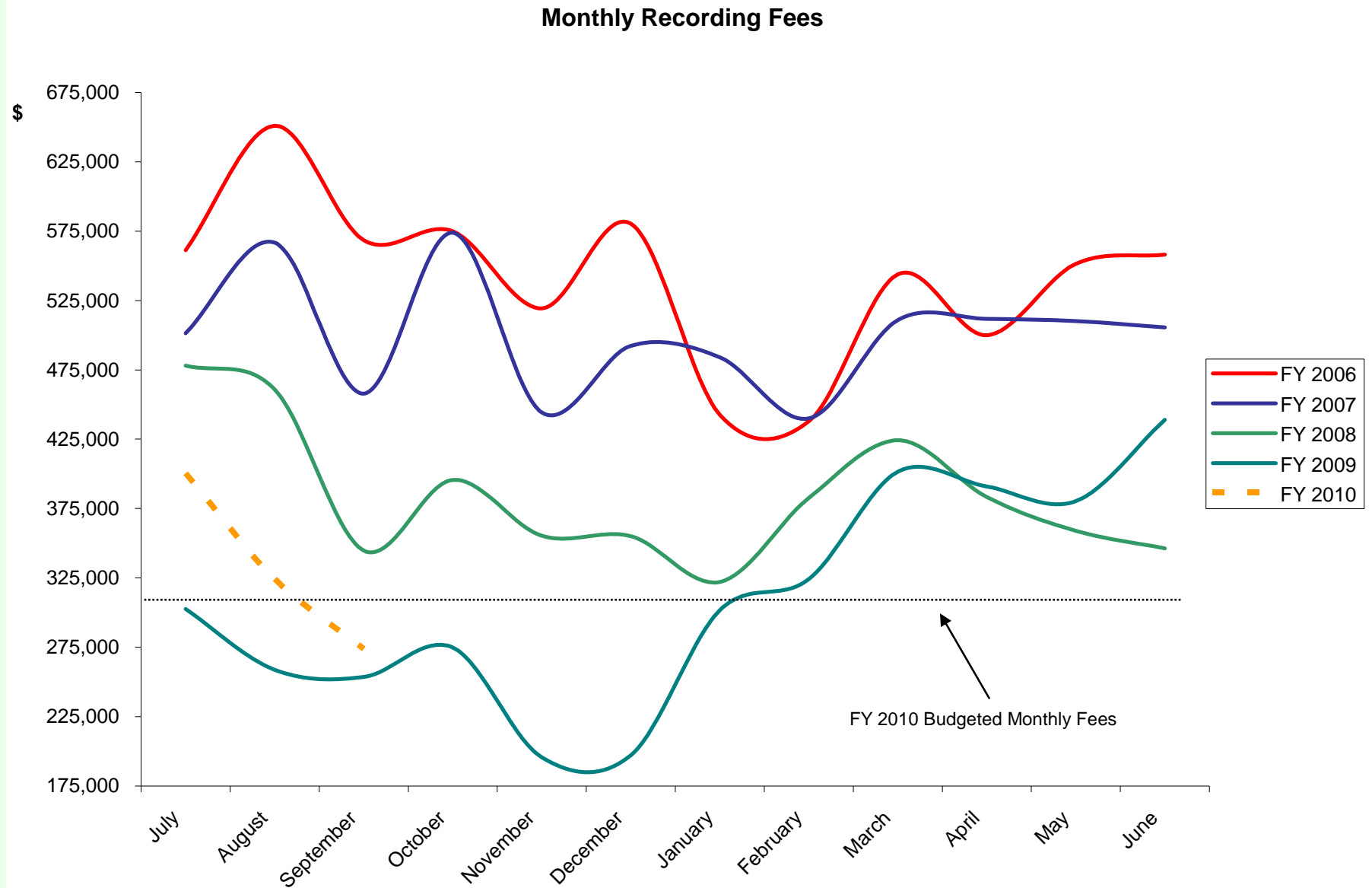
Year-Over-Year Change in Passengers & Freight at PDX (Thru September)



— Change in Domestic Deplaned Passengers - - Change in Total Enplaned & Deplaned Air Freight



# Monthly Recording Fees



# Expenditure Assumptions

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- Programs (and cash transfers) funded on a one-time-only basis in FY 2010 that are not continued in FY 2011.

## **OTO & Carry Over**

10000B - Biz Process Re-Engineer (OTO)	150,000
BCC District 1 Carryover (CA)	1,500
10029 - Complete Count Census (OTO)	25,000
25061 - Bridgeview Building Redevelopment (OTO)	250,000
40013A - Early Childhood Svcs for First Time Parents (OTO)	100,000
40016A - Medicaid/Medicare Eligibility (OTO)	292,000
40035 - Health Planning & Evaluation (OTO)	205,000
40041 - B&Q Medical Billing (OTO)	115,000
72057A - Mgmt Class/Comp Study (CA)	300,000
72014 FRM - ITAX (OTO)	300,000
10019 - ITAX to Multnomah County Schools (OTO)	700,000
91024 - Animal Shelter Operations Restoration (OTO)	584,171
Chronic Offender/P57 Beds (PDX cut or to Fed/State Fund)	1,170,678

## **Transfers + Contingencies**

95000 - Facilities Vacant Space Support (OTO)	1,100,000
72048B - A&T System Upgrade (OTO)	1,500,000
BIT Reserve (in Contingency) (OTO)	6,000,000
Unappropriated above 10% Reserve (OTO)	3,598,319



# Expenditure Assumptions

- No 'new' FY 2010 programs, annualized program costs, or additional cost to existing programs.
  - ✓ Will need to cover ORPAT & CERT costs (\$272,000 +/-)
  - ✓ Others, such as Animal Control OTO Restoration (\$584,171)?
  
- Last Year (FY 2009 to FY 2010)
  - ✓ Additional costs and annualized costs = \$4.3 million
  - ✓ OTO funds supporting ongoing programs = \$4.2 million





# Expenditure Assumptions

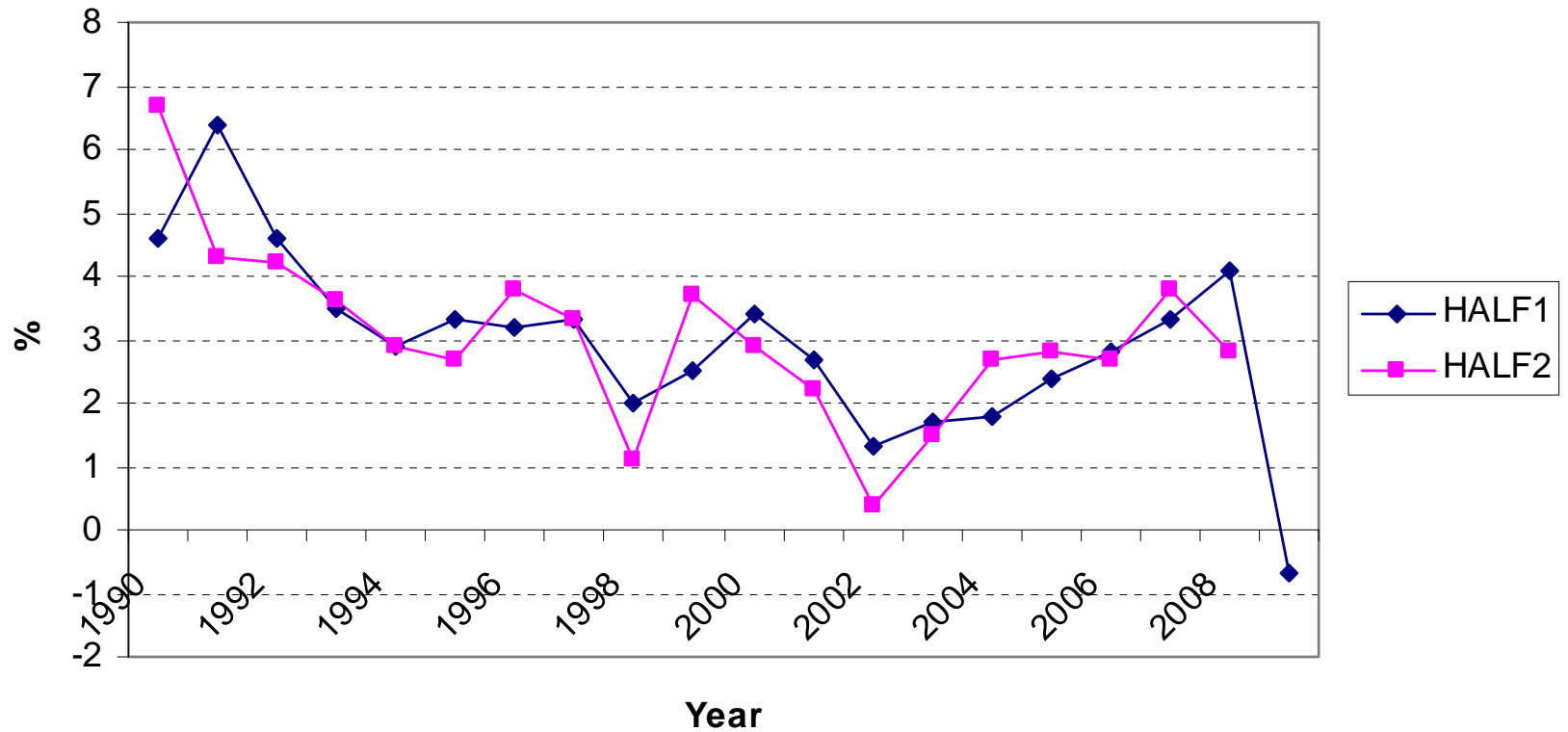
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- Cost Drivers for FY 2011
  - ✓ Inflation – +/- 0.00%
  - ✓ Average Personnel Cost Growth – 5.67%
    - COLA – 2.00%
    - Step/Merit – 1.50%
    - Medical/Dental – 14.63% vs. FY 2010 Budget
    - PERS – 1.00%
    - Retiree Medical – 0.25%
    - Liability – 0.1% to 0.45%
  - ✓ M&S and Contractual/Professional Services – 1.50%
  - ✓ Internal Service Cost Growth – 5.67%



# Expenditure Assumptions

**CPI - Urban Wage Earners & Clerical Workers**  
*Portland-Salem*



# Possible OTO Resources for FY 2011

- Limited amount relative to past years
- Partially dependent on Board decisions in FY 2010
- Dependent on stabilizing economy... BIT Reserve could be needed

	<b>Amount</b>
Unappropriated above 10% Reserve level	3,598,319
Higher BWC (ending balance from FY 2009)	8,243,991
<b>FY 2010 (Current Year Revenue Adjustments)</b>	
Property Taxes	1,572,323
US Marshal Beds	(2,098,750)
CAFFA/A&T Supplement	250,000
Election Reimbursement Reduction	(124,000)
State Shared	
Liquor Tax	456,920
Cigarette Tax	(140,276)
Amusement Tax	75,000
City of Portland/Chronic Offender	(228,000)
<b>FY 10 Revenue Adjustments</b>	<b>(236,783)</b>
Less 10% Revenue Reserve Increase	(778,671)
<b>OTO Funds available for FY 2011</b>	<b>10,826,856</b>
Additional FY 2011 OTO If BIT Reserve Not Used	6,000,000



# Forecast Risks & Issues

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- Economy does not continue to stabilize and recover
  - ✓ BIT
  - ✓ Commercial real estate
  - ✓ Property Tax Compression
- New Asset Bubbles & Inflation
- State Budget/Economy
  - ✓ January Election
  - ✓ Stimulus Expiration
- Internal/Local Issues
  - ✓ East County Justice Center
  - ✓ Retiree Benefits Liability
  - ✓ Others, such as Health Care Costs



# Summary

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- FY 2010 budget okay after 1<sup>st</sup> Quarter
- FY 2011 operating deficit of \$3.9 million vs. a deficit that could have been as high as \$45.9 million
- FY 2012 operating deficit likely to grow to \$9.3 million
- FY 2012 to FY 2015 – annual operating deficit stabilizes at roughly \$10 million or 2.5% of expenditures
- OTO resources for FY 2011 of \$10.8 million, but high as \$16.8 million if the BIT reserve isn't used
- Questions?

